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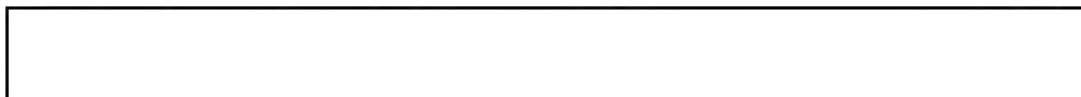
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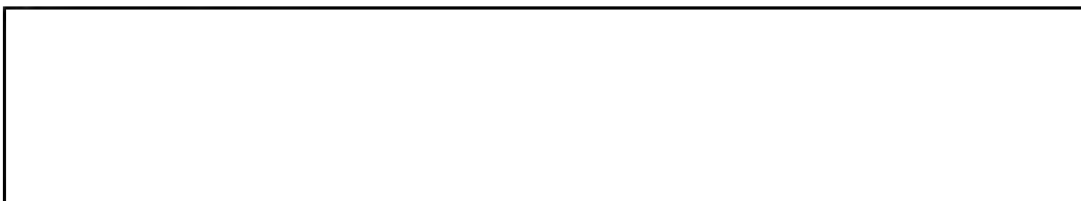
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PORTUGAL

The Portuguese military leadership has turned its attention to quelling anti-Communist violence in the north.

The government has reportedly assigned 140 marines to the northern military region to augment troops there, some of whom have openly supported the anti-Communist demonstrators. The marines are considered to be one of the most radical units in the internal security forces. It is unlikely that an additional 140 troops can curtail the attacks against the Communists unless they are ordered to fire into the crowds.

Tensions will remain high throughout the north. More demonstrations are scheduled in the next few days. The Communists are planning a rally in Oporto to support Goncalves and protest the actions against them; the Catholic Church has scheduled rallies this weekend in two other northern towns.

Anti-Communist agitation has spread to the Azores where sentiment for autonomy is growing. On Tuesday, the offices of the Communist-dominated Portuguese Democratic Movement were burned, and island residents—tired of being branded “reactionaries” by the left-wing Lisbon press—prevented the distribution of mainland papers.

On the mainland, the Communists and the Socialists have carried their rivalry into the constituent assembly, which is still meeting to draw up a new constitution. The Communists walked out of a session on Tuesday after the Socialists—who control nearly half of the 250 seats—blamed all the mistakes of the revolution on the “irresponsible demagoguery” of the Communists. The Communists faulted “fascist reactionaries” for the present unrest.

Last weekend, Socialist Party leader Soares met in Stockholm with leaders of social democratic governments and parties from 12 European countries and Israel to ask for economic assistance to Lisbon. Soares publicly insisted that assistance must be granted without any strings, but told the Socialist leaders privately that specific conditions should be placed on any aid given Portugal to ensure that it is used effectively and correctly.

The Socialist leaders made no commitment to provide aid. Prime Minister Wilson, reaffirming the position taken by the EC Nine at their mid-July summit, explained that the EC will be reluctant “as long as Portugal fails to give evidence of a quick return to pluralistic democracy.”

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CHINA

China's industrial production, after faltering badly in 1974, showed a marked gain in the first half of this year. Incomplete data [redacted] suggest a rise of 10 to 12 percent above the first half of 1974 and about 5 to 7 percent above the second half. Gains in the major industrial areas ranged from 6.1 percent in Shanghai to 15.3 percent in Kwangtung.

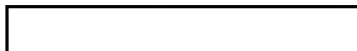
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Disruptions caused by political campaigns and worker discontent evidently have now subsided in most areas of the country—a somewhat tardy response to several central directives issued over the past year and a half demanding an end to the disorders and a sharp increase in production.

Nevertheless, trouble spots both regionally and within individual branches of industry cast a shadow over the outcome of China's fourth five-year plan, which ends this year. In at least one eastern province—Chekiang—the authorities have called in the army to quell lingering factional strife and labor unrest.

Peking's biggest headache, however, is a chronic shortage of coal that is restraining growth in other vital sectors, such as steel and chemical fertilizer. The shortage has probably been aggravated by factional strife in the coal industry. Claims in the Chinese press that coal output increased by "a considerable margin" and chemical fertilizer saw "a further increase" probably mean that growth was disappointing.

No national claims were made for iron and steel; nor have any major steel mills cited gains in output in the first half of this year. Peking has issued a directive singling out the steel industry as a major problem area. Only the petroleum industry has been expanding at rates Peking would consider acceptable, with crude oil production reportedly rising by 24 percent in the first half of this year.



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BRAZIL

President Geisel has responded to renewed criticism from military conservatives by defining the goals of his administration in a way that de-emphasizes the importance of political liberalization. Last week in a lengthy speech, Geisel stressed his concern with social progress and called attention to recent economic gains.

Asserting that economic growth will continue, Geisel outlined government efforts to stimulate development, retard inflation, and reduce Brazil's balance-of-payments deficit. The major portion of his speech dealt with social programs, and it was not until the conclusion that he made some highly significant comments regarding politics.

Geisel made it clear that he does not intend to promote a return to democratic rule. On the contrary, he stated his intention to retain special decree powers and alluded to the necessity for vigilance against communist infiltration and subversion. He said "a lot has been published and said about political relaxation...none of which corresponds to reality." He then referred to "relaxation" in terms of technical social programs that provide low-cost housing, free medical care to the needy, and other major benefits.

Just before the speech, General Golbery, Geisel's political adviser, formally resumed his official duties after a long illness, but the President's remarks suggest that Golbery, the advocate of political liberalization, is unlikely to regain the influence he previously exercised within the government. Instead, it appears that Geisel intends to preserve the liberal measures granted thus far, and to protect his own authority by adopting a more conservative posture.

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ISRAEL

The Milan antitank guided-missile system will be introduced into the Israel Defense Forces inventory [REDACTED]

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The Milan is an advanced second-generation missile incorporating semiautomatic guidance. It has a range of between 20 and 2,000 meters and can be operated by one man. The missile is produced in France with some components manufactured by West Germany and is marketed by the Euro Missile Corporation.

Milan training will reportedly be conducted at the infantry school by the section currently providing instruction on the US-built Dragon antitank weapon. US defense attache office personnel in Tel Aviv believe that the system is intended to fill Israel's requirement for a medium-range antitank missile during the extended Dragon delivery schedule. The long-range need is fulfilled by the US-supplied Tow system.

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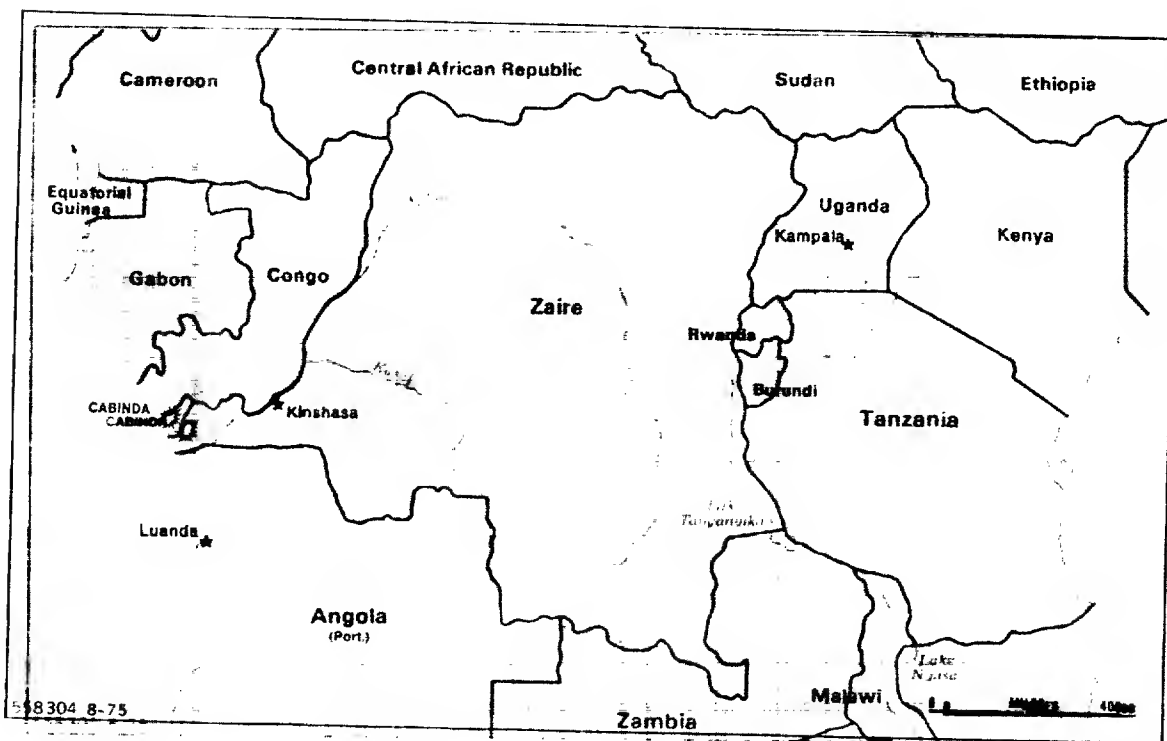
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ANGOLA-CABINDA: Fighting broke out yesterday along the Zaire-Cabinda border between the Popular Movement for the Liberation of Angola and the National Front for the Liberation of Angola. The National Front apparently initiated the fighting but failed to make a major incursion into Cabinda, which is dominated by the Popular Movement. The attack may have been aimed in part at intimidating a fledgling Cabindan liberation movement. This group declared the exclave's independence from both Portugal and Angola at the recent meeting of the Organization of African Unity in Uganda. The Portuguese maintain only a small garrison in Cabinda's major town.

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ANNEX

North Vietnam: Armed Forces Since Victory

Hanoi emerged with the second strongest military establishment in East Asia following the rapid demise of the South Vietnamese government and the capture of massive amounts of US equipment and munitions. This sudden military dominance has not been lost on neighboring countries such as Thailand, Malaysia, Indonesia, and the Philippines. There is apprehension in these countries that Hanoi, now fat with success and the spoils of war, might be tempted to increase assistance to the active insurgencies with which these countries have to contend.

There is a lack of clear-cut evidence on just what the communist leadership is thinking in respect to the use of its new-found military capability. One thing is clearly emerging, however: strong forces will be maintained in the South as long as they are needed to maintain security and assist in solving the serious economic, administrative, and political problems presented by the sudden and unexpectedly rapid termination of the conflict.

Occupation Army

The mission of most North Vietnamese army units in the South is that of an occupation army. Their duties now consist of providing security, mopping up remnants of former South Vietnamese units that are still holding out, and assisting in restoring and maintaining general law and order. They also have administrative, engineering, and agricultural tasks.

A high communist official recently confirmed that security remains the major problem in the South. Although the resistance appears to have little hope of ever becoming significant or sustained, harassment attacks have forced the communists to expend considerable effort to counter them.

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The South Vietnamese holdouts have somewhat reversed the tables on the communists. The latter are now required to station relatively large numbers of troops along highways, near bridges, and at remote outposts to fend off small attacking forces armed with light weapons.

In addition to dealing with the internal resistance, North Vietnamese forces also have had to take up positions along the border with Cambodia. Numerous small clashes have erupted as Khmer and Vietnamese communists dispute territory in the ill-defined border area. The Vietnamese moved quickly to assert claims to several offshore islands in the Gulf of Thailand earlier this summer, and they are not likely to cede any property to their weaker communist neighbors.

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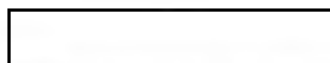
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Communist forces in the South also have been heavily engaged in clearing the countryside of large numbers of unexploded bombs, shells, and mines, and removing derelict military vehicles from farmlands. Hanoi and Saigon also have announced that large parts of the country have been restored to agricultural production and new farming areas are being created.



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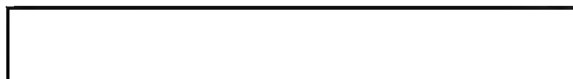
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